



CHAIRMAN

Federal Communications Commission

Washington, D.C.

November 5, 2003

The Honorable Ron Wyden
United States Senate
516 Hart Senate Office Building
Washington, DC 20510

Dear Senator Wyden:

Thank you for your letter regarding the Internet Tax Moratorium. I am happy to share my views on Voice over Internet Protocol ("VoIP") and outline our plans to address VoIP issues in the coming weeks and months. As I have said often, the deployment of broadband Internet services to every American is a national imperative. I commend your leadership and commitment to realizing the public and economic benefits associated with broadband Internet availability and use for our citizens.

I share your excitement about the potential for VoIP technology to bring those very benefits to both consumers and businesses. Although still in the early stages of commercial development and deployment, the proliferation of broadband Internet connections is turning yesterday's VoIP dreams into today's realities. Entrepreneurs are tapping into the Internet's potential to provide low-cost voice services to Americans throughout the country. At the same time, these VoIP providers are introducing innovations previously unheard of in voice communications, such as the ability to choose from over 100 area codes and to take your number with you anywhere in the world as long as you can access the Internet.

In addition, investment in broadband Internet access and VoIP services are creating small business jobs. U.S. businesses, small and large alike, are increasingly using these Internet services to increase productivity and contribute to our Nation's economic growth. In short, the creative forces that have fueled the Internet's growth for the last decade are doing the very thing government regulators have tried to accomplish since the 1996 Telecommunications Act—bring competitive, cheaper and more innovative voice services to the public.

As new digital technologies and Internet applications, such as VOIP, challenge the established technological, market and regulatory structures of our analog past, the FCC will continue to stay at the forefront of change. The FCC has been studying VoIP issues for several years, but things have greatly accelerated over the past year and, thus, so have the FCC's actions to address the complex issues that arise. The FCC is currently considering several petitions involving different flavors of VoIP. Last month, the FCC's Technical Advisory Council held a meeting devoted solely to VoIP issues.

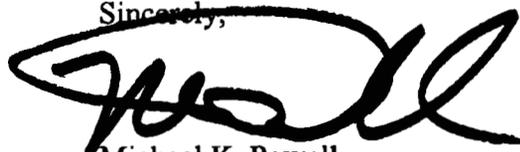
Given the complexity and significance of these issues, the FCC has recently announced that it will comprehensively tackle the proper regulatory treatment of VoIP and related issues. On December 1, 2003, the FCC will hold a VoIP hearing. The hearing will have a wide range of witnesses from the industry and government to focus on a variety of VoIP issues. We will look at how the digital technologies are being used to provide a variety of voice services in the marketplace. We will also explore emerging regulatory issues, such as FCC precedent and the classification issues raised in the recent Minnesota District Court ruling on VoIP services. Finally, we will begin a conversation on how best to achieve important health, safety and welfare policy objectives, such as E911, universal service and securing our homeland.

Shortly after the forum, the FCC will initiate a *Notice of Public Rule Making* (“*NPRM*”) on VoIP services. This *NPRM* will, in part, inquire about the migration of voice services to IP-based networks and gather public comment on the appropriate regulatory environment for VoIP services. Over the course of the next year, after full public comment and thoughtful consideration of the record, the FCC plans to follow up the *NPRM* with a *Report and Order* on the VoIP issues raised in the proceeding.

As you can see, the FCC will be quite busy with VoIP issues over the course of the next twelve months. Of course, we will keep you, the Committee and all of Congress apprised of our progress along the way. As the Senate moves to debate the Internet Tax Moratorium in the coming days, I urge caution in addressing VoIP issues. There is universal agreement that these Internet services hold great promise for the American people. Imposing regulatory burdens on these new and emerging Internet services, before the FCC fully engages the public and develops a comprehensive record, may have the unintended consequence of stifling its growth and denying the public benefits of that growth.

I hope this information serves you and the rest of the Senate well as you debate this important piece of legislation. I thank you for your strong leadership and vision in this area. If you have any further questions, please do not hesitate to call on me.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Powell', written over a large, stylized oval scribble.

Michael K. Powell
Chairman